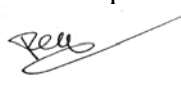


## MEMORANDUM

September 15, 2008

TO: Michael J. Knapp, Chair  
Planning, Housing and Economic Development Committee

FROM: Richard Y. Nelson, Jr., Director   
Department of Housing and Community Affairs

SUBJECT: Foreclosure Update

This memo is intended to update you on foreclosure activity in Montgomery County and efforts undertaken and planned to combat this enormous problem. County Executive Leggett sent the full Council a briefing memorandum, dated July 23, 2008, and all members of the Council were sent copies of the Second Quarter 2008 Property Foreclosure report for Montgomery County prepared by the Maryland Department of Housing and Community Development (MDDHCD.) I will not attempt, here, to repeat all of that information.

### **Mortgage Loan Foreclosure Events in Montgomery County**

<b><u>Period</u></b>	<b><u>Notices of Default</u></b>	<b><u>Notices of Sales</u></b>	<b><u>Lender Purchases</u></b>	<b><u>All Events</u></b>
July 2008	161	5	16	182
2008 Q2	1,162	76	76	1,314
2008 Q1				1,644
2007 Q2				603

Strict comparisons of numbers are difficult because they have been affected by the State legislation which became effective April 4, 2008. This legislation extended the foreclosure period from two weeks to 135 days to give homeowners a greater opportunity to cure their defaults, restructure their mortgages, or refinance. More notices of default are sent but the numbers for notices of sales and purchases are down.

A large number of adjustable rate mortgage (ARM) resets are occurring. However, the rate increases appear not to be the two to three percent originally anticipated. This development might have the effect of tempering the number of new cases.

As previously reported, most of our efforts to date have been on foreclosure prevention. We have been working closely with MDDHCD and have matched funding with the State to address this problem. In the beginning of April we executed three Memorandums of

Understanding with MDDHCD. One MOU commits both the county and state to set aside \$2.5 million, each, in a fund to guarantee against the top loss by local banks offering refinance assistance to homeowners. Hopefully, losses will be minimal and we won't have to draw down much of this fund. The county and the state have also each contributed \$100,000 to a fund to provide bridge loans up to \$15,000 to eligible homeowners. Lastly, we each contributed \$100,000 to fund foreclosure counseling in the county. This is ongoing.

Our outreach to Montgomery County residents has been multi-faceted. DHCA and OCP have facilitated and or participated in more than ten community meetings. At these meetings between 250-300 persons have received help, including one-on-one foreclosure prevention counseling. More foreclosure prevention educational meetings are scheduled during the balance of the year, including a brown bag lunch for County employees.

The eighth Annual Montgomery County Housing Fair and Financial Fitness day on September 27, 2008, will focus on foreclosure prevention. This event usually attracts more than a thousand residents. Seven foreclosure prevention counselors and two credit counselors will attend the fair and meet, one on one, with fairgoers.

Our two nonprofit partners currently providing foreclosure prevention counseling in Montgomery County – HomeFree USA and LEDC – have counseled over 390 families, with 264 positive outcomes so far and more positive outcomes expected.

Because the demand is so great and LEDC and HomeFree USA cannot alone meet the need for foreclosure prevention counseling, we are currently in discussions with the State and with two nonprofits to contract for more counselors for Montgomery County. In addition, to further address the problem of too few counselors in the County, we are funding a counselor training session to be conducted by NeighborWorks America in Montgomery County on October 27-28, 2008.

On our web site and in printed materials we are encouraging families to call the Maryland HOPE Hotline. The HOPE line has received 1,386 calls from Montgomery County residents. Callers receive "triage assessment" of their foreclosure situation and are referred to a counselor or organization that can best address their problem. Encouraging families to call the HOPE Hotline (1-877-462-7555), as a part of our partnership with the State, has proven to be a very beneficial tool in our efforts to address the foreclosure issues facing our residents. We also have a foreclosure prevention town hall meeting, in Montgomery County, being planned with the State and Radio One – DC, for November 1, 2008.

In our continuing effort to reach out to residents affected by the foreclosure crisis, we have participated in a half a dozen different TV shows. Some of these shows have been aired multiple times and some have been aired in Spanish. These efforts are continuing. We have also distributed foreclosure prevention information at different conferences and events such as the County Fair, Latino Health Festival, Affordable Housing Conference, and a mailing to over 600 faith-based organizations.

In an effort to combat the negative impact of vacant and neglected properties on neighborhoods, we have instituted a program to encourage residents to notify DHCA of vacant properties. Our code inspectors go out to each property and inspect to ensure the property is secured and the grounds are not littered with solid waste or overgrown vegetation. As appropriate, notices of violations are issued and in cases where there is no compliance, contractors are employed to do emergency board ups and/or cut grass. The property is then liened for the cost of the work. From March 2008 to date, 541 properties have been inspected and notices issued with the following results:

• Grass and weed violation notices issued	265
• Solid waste violation notices issued	137
• No violations notices issued/required	127
• Vacancies open to casual entry	10
• Vacancies with unauthorized occupants	<u>2</u>
<b><u>Total</u></b>	<b>541</b>
• Voluntary compliance (approximately)	450
• Clean and Liens	87
• Emergency Board ups	4

These are the actions taken to date, but more needs to be done. Next steps will include more concentrated data collection, better mapping of foreclosure events and more in depth analysis. This information gathering stage will help us to focus on future directions of our efforts and areas to explore for action. One particular result of this phase might possibly lead to the identification of specific areas for a focus in terms of any foreclosure acquisitions we embark upon.

Having accomplished a lot and set the course for prevention strategies, we are now able to begin to focus on potential acquisition and/or some other program efforts to link up purchasers with vacant and foreclosed properties. We have been working with Habitat for Humanity on the development of a program whereby they can purchase some foreclosed properties, rehab those properties and dispose of them to low-income families as a part of their program. This collaborative effort is a work in progress but has considerable potential, particularly when and if, we receive funds from the federal government as a result of the recently passed legislation.

The County Executive has been closely monitoring the impact of foreclosures on Montgomery County and has ensured that multiple departments and agencies focus attention on addressing the problems caused by this crisis in our County. Continuing attention is given to what is being done and what additional can be done to help those impacted by foreclosures.

RYN:sns

cc: PHED Committee Members